

COCHENOUR WILLANS

G O L D M I N E S , L I M I T E D

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ANNUAL REPORT

COCHENOUR WILLANS GOLD MINES, LIMITED

<i>Directors</i>	J. EDWIN J. FAHLGREN, <i>Cochenour, Ont.</i> ROBERT E. FASKEN, <i>Toronto, Ont.</i> JOHN B. McLELLAN, <i>Toronto, Ont.</i> MURDOCK C. MOSHER, <i>Toronto, Ont.</i> GEORGE T. SMITH, <i>Toronto, Ont.</i> ROBERT M. SMITH, <i>Oakville, Ont.</i>
<i>Officers</i>	J. E. J. FAHLGREN, <i>President</i> G. T. SMITH, <i>Vice-President</i> J. B. McLELLAN, <i>Secretary</i> B. C. LEMON, <i>Treasurer and Asst. Secretary</i>
<i>General Manager</i>	J. E. J. FAHLGREN, <i>Cochenour, Ont.</i>
<i>Chief Geologist</i>	L. C. CHASTKO, <i>Cochenour, Ont.</i>
<i>General Superintendent</i>	D. H. COGHILL, <i>Cochenour, Ont.</i>
<i>Registrar & Transfer Agents</i>	CANADA PERMANENT TRUST COMPANY 1901 Yonge Street Toronto 295, Ontario
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Balmertown, Ontario
<i>Auditors</i>	THORNE, GUNN, HELLIWELL AND CHRISTENSON Thunder Bay, Ontario
<i>Solicitors</i>	FRASER & BEATTY 320 Bay Street Toronto 105, Ontario
<i>Executive & Mine Office</i>	<i>Cochenour, Ontario</i>

**Cochenour Willans Gold Mines,
Limited**

and its subsidiaries

**ANNCO MINES LIMITED,
WILMAR MINES LIMITED AND
COCHENOUR REALTY LIMITED**

INTERIM REPORT

6

**MONTHS
ENDED**

June 30, 1971

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiaries

ANNCO MINES LIMITED, WILMAR MINES LIMITED AND COCHENOUR REALTY LIMITED

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1971 — Unaudited

(With comparative figures for 1970)

	1971	1970
Tons milled	51,627	47,588
Gold — Fine ounces produced	10,759	12,888
Bullion revenue	\$ 404,059	\$ 496,308
Operating Expenses	640,259	645,178
Deduct estimated Emergency Gold Mining Assistance	115,883	132,388
	524,376	512,790
	(120,317)	(16,482)
Other Expenses		
Depreciation	67,320	55,222
Amortization of deferred development	78,719	103,224
Exploration and prospecting	31,881	27,588
	177,920	186,034
Deduct other income	475	3,275
	177,445	182,759
Loss before undernoted item	297,762	199,241
Losses of subsidiary companies applicable to minority interest	122,532	66,836
Loss for Period	<u>\$ 175,230</u>	<u>\$ 132,405</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1971 — Unaudited

(With comparative figures for 1970)

	1971	1970
Source of Funds		
Sale of fixed assets (net)	\$ 45,876	—
Application of Funds		
Operations		
Loss for period	175,230	\$ 132,405
Minority interest in loss of subsidiaries	122,532	66,836
	297,762	199,241
Deduct		
Depreciation	67,320	55,222
Amortization of deferred development	78,719	103,224
	146,039	158,446
	151,723	40,795
Advances to unconsolidated subsidiaries	3,540	16,658
Fixed assets (net)	—	6,832
Bamaji Project and Touchdown Syndicate	14,166	16,485
	169,429	80,770
Decrease in Working Capital	123,553	80,770
Working Capital at Beginning of Period	108,190	364,902
Working Capital (Deficiency) at End of Period	<u>\$ (15,363)</u>	<u>\$ 284,132</u>

Report of the Directors

To the Shareholders of
Cochenour Willans Gold Mines, Limited

The Board of Directors submits herewith the Annual Report of Cochenour Willans Gold Mines, Limited together with the Financial Statements for the year ended December 31st, 1971, that includes the Balance Sheet, Statements of Income and Retained Earnings, Statements of Source and Application of Funds, consolidated with those of the subsidiary companies — Annco Mines Limited, Wilmar Mines Limited and Cochenour Realty Limited — and the Auditors' Report thereon. Also included is the Report of the General Manager covering the operations and exploration activities in which your company participated and the financial statements of the two subsidiaries of your company with related Auditors' Reports.

Pursuant to the decision of your Board of Directors at the meeting of the Board on June 23rd, 1971, when it was resolved that the mining operations of the company and those of its subsidiaries — Annco Mines Limited and Wilmar Mines Limited — were to cease by August 31st, 1971, for economic reasons, the shutdown was effected. The Milling plant, Power House and No. 1 Shaft Hoist and equipment has been kept intact until 1972 when it may be possible to assess the trend of the free market price for Gold. The underground mining equipment has been listed for sale and some sales have been completed.

Write-offs

Following closure of the mining properties it was decided to adopt a more realistic program with regard to writing off deferred development costs and investment in and advances to subsidiary companies. Naturally, this has had no effect with regard to the cash-flow position of the company and the working capital at the end of the year was \$647,479, up from \$129,897 in 1970.

Authorized Capital

Pursuant to approval received at the last annual meeting the authorized capital of the company was increased from four million shares to five million shares without par value not to be issued for an aggregate consideration exceeding in amount or value the sum of five million dollars (\$5,000,000.).

Exploration

Your company will continue with its outside exploration programs as set out in the report of the General Manager, in partnership with Selco Mining Corporation Limited and Coin Lake Gold Mines, Limited. It will also be undertaking certain exploratory diamond drilling in Bruce Channel on its own property.

Submitted on behalf of the Board,

J. E. J. FAHLGREN,
President.

May 5th, 1972,
COCHENOUR, Ontario.

COCHENOUR WILLANS

(Incorporated under the laws of Ontario)
and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited

Balance Sheet —

(with comparative figures for 1970)

ASSETS

CURRENT ASSETS	Parent Company		Consolidated	
	1971	1970	1971	1970
Cash			\$ 2,006	\$ 1,893
Deposit receipt		\$ 100,000		100,000
Bullion	\$ 60,906	49,269	60,906	49,269
Estimated Emergency Gold Mining Assistance receivable	2,111	12,802	17,265	73,973
Accounts receivable and accrued interest	429,602	24,801	429,602	24,801
Advances to subsidiary companies (note 1)	15,153	61,171		
Materials and supplies, at the lower of cost and replacement cost	183,735	247,547	183,735	247,547
Prepaid expenses	17,307	8,054	17,307	8,054
	<u>708,814</u>	<u>503,644</u>	<u>710,821</u>	<u>505,537</u>
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES (note 1)	545,335	3,029,311		336,430
OTHER INVESTMENTS, at cost (note 2)	43,296	43,296	43,296	43,296
FIXED ASSETS (note 3)	608,859	638,073	1,156,033	1,883,949
MINING CLAIMS AND LICENSES, at cost	246,426	246,426	347,633	347,633
DEFERRED DEVELOPMENT, at cost less amortization (note 4)				1,246,203
MINORITY INTEREST IN ANNCO MINES LIMITED AND WILMAR MINES LIMITED, DEFICIT			419,319	
	<u>\$2,152,730</u>	<u>\$4,460,750</u>	<u>\$2,677,102</u>	<u>\$4,363,048</u>

AUDITOR

To the Shareholders of
Cochenour Willans Gold Mines, Limited

We have examined the balance sheets of Cochenour Willans Gold Mines, Limited, parent company, and of Cochenour Willans Gold Mines, Limited, and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and Cochenour Realty Limited as at December 31, 1971 and the related statements of income, retained earnings, (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Thunder Bay, Canada,
April 6, 1972.

GOLD MINES, LIMITED

(In accordance with the laws of Ontario)

Willans Gold Mines Limited and Cochenour Realty Limited

December 31, 1971

(December 31, 1970)

LIABILITIES

CURRENT LIABILITIES	Parent Company		Consolidated	
	1971	1970	1971	1970
Bank advances, secured by bullion and deposit receipt	\$ 24,606	\$ 202,539	\$ 24,606	\$ 202,539
Accrued wages payable		33,746		33,746
Accounts payable and accrued liabilities	36,729	57,138	38,658	60,738
Deposits by employees on houses		65,790		65,790
Employee income and other taxes payable		14,534		14,534
Advances from Martin-McNeely Mines Limited			20,000	20,000
	<u>61,335</u>	<u>373,747</u>	<u>83,264</u>	<u>397,347</u>
MINORITY INTEREST IN ANNCO MINES LIMITED AND WILMAR MINES LIMITED				221,761

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)				
Authorized				
5,000,000 Shares of no par value				
Issued				
3,892,555 Shares	3,892,555	3,892,555	3,892,555	3,892,555
Deduct discount thereon, net	846,470	846,470	846,470	846,470
	<u>3,046,085</u>	<u>3,046,085</u>	<u>3,046,085</u>	<u>3,046,085</u>
RETAINED EARNINGS (DEFICIT)	(1,171,267)	812,341	(1,369,718)	(231,616)
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED BOOK VALUE (note 3)	216,577	228,577	1,257,872	1,269,872
	<u>2,091,395</u>	<u>4,087,003</u>	<u>2,934,239</u>	<u>4,084,341</u>
LESS EQUITY CONTRIBUTED TO MINORITY INTEREST IN ANNCO MINES LIMITED AND WILMAR MINES LIMITED			340,401	340,401
	<u>2,091,395</u>	<u>4,087,003</u>	<u>2,593,838</u>	<u>3,743,940</u>
	<u>\$2,152,730</u>	<u>\$4,460,750</u>	<u>\$2,677,102</u>	<u>\$4,363,048</u>

Approved by the Board:

J. E. J. FAHLGREN, Director.

ROBERT M. SMITH, Director.

REPORT

In our opinion these financial statements present fairly the financial position of Cochenour Willans Gold Mines, Limited, parent company, and of Cochenour Willans Gold Mines, Limited, and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and Cochenour Realty Limited as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

Statement of Income

Year Ended December 31, 1971
(with comparative figures for 1970)

	Parent Company		Consolidated	
	1971	1970	1971	1970
REVENUE				
Bullion production	\$ 134,355	\$ 112,509	\$ 691,342	\$ 951,761
Real estate income			94,530	
	<u>134,355</u>	<u>112,509</u>	<u>785,872</u>	<u>951,761</u>
OPERATING EXPENSES				
Development		12,351	41,049	96,447
Mining	60,451	123,328	494,092	762,577
Milling	37,926	52,783	174,469	267,953
Shipping and marketing	1,265	871	6,068	7,158
Mine general	61,331	36,411	146,426	179,432
Administrative	34,184	7,748	55,490	12,176
Realty expenses			25,993	
Directors' fees	1,425	750	2,375	1,300
	<u>196,582</u>	<u>234,242</u>	<u>945,962</u>	<u>1,327,043</u>
Less estimated Emergency Gold Mining Assistance	21,225	31,652	172,834	255,292
	<u>175,357</u>	<u>202,590</u>	<u>773,128</u>	<u>1,071,751</u>
	41,002	90,081	(12,744)	119,990
Other income	88,129	54,836	553	7,839
	<u>(47,127)</u>	<u>35,245</u>	<u>13,297</u>	<u>112,151</u>
OTHER EXPENSES				
Depreciation	76,743	169,220	106,207	170,334
Amortization of deferred development		28,140	112,040	185,592
Salvage	20,248		20,248	
Exploration and prospecting	88,617	142,217	88,617	142,217
	<u>185,608</u>	<u>339,577</u>	<u>327,112</u>	<u>498,143</u>
Less charges to subsidiaries for use of plant	140,891	197,658		
	<u>44,717</u>	<u>141,919</u>	<u>327,112</u>	<u>498,143</u>
Income (loss) before undernoted items	2,410	(177,164)	(313,815)	(610,294)
Parent company's portion of losses of subsidiaries	579,998	241,608		
Provision for advances to subsidiaries	1,418,020		343,204	
Losses of subsidiaries applicable to minority interest			(641,080)	(191,522)
Write-off of deferred development			1,134,163	
	<u>1,998,018</u>	<u>241,608</u>	<u>836,287</u>	<u>(191,522)</u>
LOSS FOR THE YEAR (note 7)	<u>\$1,995,608</u>	<u>\$ 241,608</u>	<u>\$1,150,102</u>	<u>\$ 418,772</u>

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

Statement of Retained Earnings (Deficit)

Year Ended December 31, 1971
(with comparative figures for 1970)

	Parent Company		Consolidated	
	1971	1970	1971	1970
Retained earnings (deficit) at beginning of year	\$ 812,341	\$ 122,983	\$ (231,616)	\$ 121,016
ADD				
Excess of appraised value of fixed assets sold to Cochenour Realty Limited over depreciated book value		1,041,295		
Amortization of excess of appraised value of fixed assets over depreciated book value	12,000	66,835	12,000	66,835
	<u>824,341</u>	<u>1,231,113</u>	<u>(219,616)</u>	<u>187,851</u>
DEDUCT				
Parent company's portion of incorporation and organization expenses written off				695
Loss for the year	1,995,608	418,772	1,150,102	418,772
	<u>1,995,608</u>	<u>418,772</u>	<u>1,150,102</u>	<u>419,467</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u><u>\$(1,171,267)</u></u>	<u><u>\$ 812,341</u></u>	<u><u>\$(1,369,718)</u></u>	<u><u>\$ (231,616)</u></u>

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

Statement of Source and Application of Funds

Year Ended December 31, 1971

(with comparative figures for 1970)

SOURCE OF FUNDS	Parent Company		Consolidated	
	1971	1970	1971	1970
Loss for the year	\$(1,995,608)	\$ (418,772)		
Items not involving current funds				
Depreciation	76,743	169,220		
Amortization of deferred development		28,140		
Provision for advances to subsidiaries	1,418,020			
Parent company's portion of losses of subsidiaries	579,998	241,608		
	79,153	20,196		
Proceeds from sale of fixed assets				
Cochenour Realty Limited		1,239,560		
Other	611,603	71,813	\$ 642,093	\$ 71,813
Adjustment to depreciation re 1970 sale	4,483		4,483	
Reduction of advances to				
Cochenour Realty Ltd.	695,921			
Annco Mines Limited		6,645		
	1,391,160	1,338,214	646,576	71,813
APPLICATION OF FUNDS				
Loss before undernoted items			313,815	610,294
Items not involving current funds				
Depreciation			(106,207)	(170,334)
Amortization of deferred development			(112,040)	(185,592)
Profit on sale of land			9,671	
			105,239	254,368
Additions to fixed assets	663,615	45,564	15,196	45,564
Incorporation expenses				695
Investment in Cochenour Realty Limited		1,000		
Advances to subsidiary companies				
Annco Mines Limited	3,587			
Cochenour Realty Limited		1,240,255		
Wilmar Mines Limited	199,602	279,363		
Consolidated Marcus Gold Mines Limited	1,641	889	1,641	889
Cochenour Explorations Limited	5,133	27,009	5,133	27,009
	873,578	1,594,080	127,209	328,525
INCREASE (DECREASE) IN WORKING CAPITAL	517,582	(255,866)	519,367	(256,712)
WORKING CAPITAL AT BEGINNING OF YEAR	129,897	385,763	108,190	364,902
WORKING CAPITAL AT END OF YEAR	\$ 647,479	\$ 129,897	\$ 627,557	\$ 108,190

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

Notes to Financial Statements

Year Ended December 31, 1971

1. INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES

Parent company	1971	1970
Shares, at cost		
Annco Mines Limited	\$ 479,998	\$ 479,998
Cochenour Explorations Limited	121,439	121,439
Cochenour Realty Limited	1,000	1,000
Consolidated Marcus Gold Mines Limited	81,784	81,784
Wilmar Mines Limited	982,909	982,909
	<u>1,667,130</u>	<u>1,667,130</u>
Deduct provision for losses, Annco Mines Limited and Wilmar Mines Limited	1,450,195	870,197
	<u>216,935</u>	<u>796,933</u>
Advances		
Annco Mines Limited	195,405	198,736
Cochenour Explorations Limited	99,633	94,500
Cochenour Realty Limited	544,334	1,240,255
Consolidated Marcus Gold Mines Limited	40,348	38,707
Wilmar Mines Limited	881,853	721,351
	<u>1,761,573</u>	<u>2,293,549</u>
Deduct portion included in current assets	15,153	61,171
	<u>1,746,420</u>	<u>2,232,378</u>
	<u>1,963,355</u>	<u>3,029,311</u>
Deduct provision for losses on advances	1,418,020	
	<u>\$ 545,335</u>	<u>\$3,029,311</u>
Consolidated shares, at cost		
Cochenour Explorations Limited	\$ 121,439	\$ 121,439
Consolidated Marcus Gold Mines Limited	81,784	81,784
	<u>203,223</u>	<u>203,223</u>
Advances		
Cochenour Explorations Limited	99,633	94,500
Consolidated Marcus Gold Mines Limited	40,349	38,707
	<u>139,982</u>	<u>133,207</u>
	<u>343,205</u>	<u>336,430</u>
Deduct provision for losses	343,205	
	<u>\$ —</u>	<u>\$ 336,430</u>

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 1971

It is not considered desirable to consolidate the accounts of Consolidated Gold Mines Limited and Cochenour Explorations Limited with those of the company as they are non-operating and have substantial minority interests. Financial statements of these unconsolidated subsidiaries have been made available to shareholders of the company.

Annco Mines Limited

At December 31, 1971, the company owned 1,600,000 shares of Annco Mines Limited.

Cochenour Explorations Limited

Under the terms of an agreement dated January 31, 1966, the company is committed to loan monies up to a maximum of \$127,500 to Cochenour Explorations Limited should the board of directors of Cochenour Explorations Limited determine that the exploration properties warrant the expenditures of additional monies in searching for minerals. Loans would be requested from the shareholders of Cochenour Explorations Limited in proportion to their shareholdings. Default on such a request could result in the forfeiture of a portion of the company's shares in Cochenour Explorations Limited.

At December 31, 1971, the company owned 255,000 shares of Cochenour Explorations Limited and had advanced \$84,150 under the terms of the agreement. Current advances amounted to \$15,483 resulting in total advances of \$99,633.

Cochenour Realty Limited

The company sold certain of the townsite buildings during 1970 to Cochenour Realty Limited for total consideration of \$1,239,560. Many of the buildings have since been sold to third parties. The current advance to Cochenour Realty Limited is \$544,334.

At December 31, 1971, the company owned 1,000 shares of the wholly-owned subsidiary Cochenour Realty Limited.

Consolidated Marcus Gold Mines Limited

Under the terms of an agreement dated January 17, 1966, the company is committed to expend \$25,020 (of which \$20,563 had been expended as at December 31, 1971) on exploration and development of the property of Consolidated Marcus Gold Mines Limited within approximately one year, for which it is to receive 41,700 shares of the company. This agreement was subsequently extended until January 17, 1972. It is expected that this agreement will again be extended.

At December 31, 1971, the company owned or was entitled to receive 1,773,272 free shares of Consolidated Marcus Gold Mines Limited and a further 249,995 shares held in escrow, to be released when the company has caused Consolidated Marcus Gold Mines Limited, to bring its mining claims into production.

Wilmar Mines Limited

At December 31, 1971, the company owned 1,674,331 shares of Wilmar Mines Limited.

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 1971

2. OTHER INVESTMENTS	1971	1970
Coin Lake Gold Mines Limited, shares	\$ 24,571	\$ 24,571
Miscellaneous	18,725	18,725
	<u>\$ 43,296</u>	<u>\$ 43,296</u>
 3. FIXED ASSETS	 1971	 1970
Parent company		
Buildings	\$ 904,503	\$ 984,363
Less accumulated depreciation	501,342	656,873
	<u>403,161</u>	<u>327,490</u>
Machinery and equipment	1,830,775	1,939,271
Less accumulated depreciation	1,625,077	1,628,688
	<u>205,698</u>	<u>310,583</u>
	<u>\$ 608,859</u>	<u>\$ 638,073</u>
Consolidated		
Land	\$ 1	\$ 16,513
Buildings	1,474,824	2,211,893
Less accumulated depreciation	529,858	661,356
	<u>944,966</u>	<u>1,550,537</u>
Machinery and equipment	1,841,059	1,949,555
Less accumulated depreciation	1,629,993	1,632,656
	<u>211,066</u>	<u>316,899</u>
	<u>\$1,156,033</u>	<u>\$1,883,949</u>
 4. DEFERRED DEVELOPMENT	 1971	 1970
Parent company		
Cost		\$ 240,268
Less amortization		240,268
		<u>\$ Nil</u>
Consolidated		
Cost	\$2,168,698	\$2,168,698
Less amortization	2,168,698	922,495
	<u>\$ Nil</u>	<u>\$1,246,203</u>

The townsite buildings were appraised at market value on December 31, 1969 by O'Brien Agency Limited. These assets are included in the consolidated accounts at appraised value. The amortized increase in value resulting from this appraisal is reflected in shareholders' equity as "Excess of appraised value of fixed assets over depreciated book value." All other fixed assets are recorded at cost.

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiaries, Annco Mines Limited, Wilmar Mines Limited and
Cochenour Realty Limited

NOTES TO FINANCIAL STATEMENTS (Continued) Year Ended December 31, 1971

5. CAPITAL STOCK

The following options to purchase shares of the capital stock of the company are outstanding at December 31, 1971.

50,000 Shares may be purchased by employees with a maximum of 5,000 for each employee. The option expires June 30, 1973.

Up to 60% of the option may be exercised by June 30, 1972.

During the year supplementary letters patent were obtained to increase the authorized capital to 5,000,000 shares of no par value.

6. OTHER STATUTORY INFORMATION

Direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act, 1970) of Cochenour Willans Gold Mines, Limited for the current year amounted to \$78,170 (\$82,550 in 1970).

7. LOSS PER SHARE

	Parent company	Consolidated
Per share	\$.51	\$.30
Fully diluted after exercise of share option	\$.51	\$.39

COCHENOUR WILLANS GOLD MINES, LIMITED

Report of the General Manager

To the Board of Directors,
Cochenour Willans Gold Mines, Limited,
TORONTO, Ontario.

Gentlemen:

In accordance with the decision of the Board of Directors at their meeting held on June 23rd, 1971, at the Mine offices, when it was resolved that the mining operations of the company and those of its subsidiaries — Annco Mines Limited and Wilmar Mines Limited — were to cease by August 31st, 1971, shutdown was effected. Mining ceased August 31st, and broken ore in the three mines was drawn in September. Milling finalized with closure of the milling plant on October 7th, 1971.

We report on the operations for the year 1971 as follows:

PRODUCTION

	Tons Milled	Gold Ounces	Silver Ounces	Total Value	E.G.M.A. Cost Aid
Cochenour Willans	14,719	3,382.275	244.40	\$ 134,355	\$ 21,225
Annco	8,411	2,742.473	135.61	97,345	28,179
Wilmar	44,581	12,008.725	20,766.17	459,642	123,430
	<u>67,711</u>	<u>18,133.473</u>	<u>21,146.18</u>	<u>\$ 691,342</u>	<u>\$ 172,834</u>

ALL TIME PRODUCTION

	Period	Tons	Recovered Grade per Ton	VALUE
Cochenour Willans	1939-1971	2,129,371	\$19.36	\$41,227,875
Annco	1965-1971	149,243	13.82	2,062,346
Wilmar	1967-1971	193,435	10.69	2,068,046
		<u>2,472,049</u>		<u>\$45,358,267</u>

OPERATING COSTS — CONSOLIDATED

	1971 Cost per Ton	1970 Cost per Ton
Tons Mined and Milled	67,711	94,262
Development	\$ 0.61	\$ 1.00
Mining	7.30	8.09
Milling	2.58	2.84
General, Administrative, Close-down	2.75	2.05
Marketing09	.09
	<u>\$13.33</u>	<u>\$14.07</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

DEVELOPMENT

WILMAR:

Raising	169 feet
Drifting	448 feet
Underground Drilling	1,351 feet

THE COCHENOUR MINE:

At closure, all known economic ore had been mined and favourable diamond drill intersections checked out. The main west ore zone crossed out of Cochenour into the Annco mine down dip and exploration for new ore zones at depth on the Cochenour property was unsuccessful. There remains in Cochenour a considerable tonnage of Chert low grade material that could become economic if the price of gold was to increase to \$70.00 per ounce. A diamond drilling program will be carried out from a reef in Bruce Channel to the west of the mine workings during 1972 in virgin ground to investigate the geological formations in Bruce Channel.

THE ANNCO MINE:

At closure, all developed and indicated ore above the 2200 level had been mined and/or investigated. The down dip extension of the talcose ore zone below the 2200 level was previously probed by diamond drilling and established the mineralized zone to a depth of at least 175 feet below this level, situated 3,000 feet from the Cochenour shaft. Geological indications are that the zone is interrupted down dip by a large peridotite dyke to the south. A diamond drilling program from a drill base established by a crosscut driven south through the dyke, for the purpose of testing for possible down dip extensions on the south side was not successful. The only intersection of any interest was that in a narrow quartz vein located 400 feet southwest from the end of the drill station that assayed 5.00 ounces over five inches. This drill hole was wedged and the second intersection cut the vein but did not confirm the grade.

THE WILMAR MINE:

In the future, should the price of Gold advance appreciably, that is to the order of \$70.00, the Wilmar mine will warrant an exploration program. Large tonnages of low grade material grading 0.11 to 0.15 ounces gold per ton have been outlined in the west area of the property on the 1300 level, in a granodiorite structure.

The Diorite Dyke structure located to the north of the mining area by diamond drilling was not investigated by underground exploration. Some of the better intersections at the 17th level horizon in this structure were 0.53/12', 0.44/26.5', 0.23/7.8' and 1.35/8.0' (ounces gold per ton/core length in feet).

The No. 2 and No. 6 East blocks have further possibilities up dip as well as in the area to the east.

The internal shaft at Wilmar was sunk from the 1300 level horizon. Subsequent diamond drilling from underground working into areas above this level and a program of surface diamond drilling did return some ore grade values. The area therefor, between surface and the 1300 level, has potential.

While any future underground exploration could be undertaken by dewatering the Cochenour shaft to the 1300 level and the Wilmar shaft, any production consideration should be based on raising the Wilmar shaft to surface and sealing off the 1300 Crosscut from the Cochenour workings. The Wilmar ore is amenable and readily treated by straight cyanidation process.

THE CONSOLIDATED MARCUS:

No exploration work was carried out in this property during 1971. It is anticipated that an agreement may be entered into with the Campbell Red Lake Mines Limited, at a convenient time for them, to undertake a

COCHENOUR WILLANS GOLD MINES, LIMITED

joint exploration by extending a crosscut from their deeper levels into the east Marcus property and establishing diamond drilling bases from which to explore.

OUTSIDE EXPLORATION:

COCHENOUR-COIN EXPLORATION TROUT BAY GROUP (Cochenour 70%, Coin 20%, Selco 10%)

Exploration continued on this property throughout the summer season and after freeze-up that included prospecting, geophysical surveys and follow up diamond drilling.

This program did not extend the known deposits of Copper/Zinc or Nickel/Copper. Diamond drilling conducted in early 1972 revealed that the sulphide deposit occurs stratigraphically on or within several feet of a "barren" sulphide horizon. Detailed geophysical surveys are being conducted to outline this sulphide horizon for minor fold and/or thickenings which may bear concentrations of economic sulphides. Additional work is also being carried out stratigraphically on strike in areas not previously explored. This approach will essentially cover the stratigraphic unit for approximately $4\frac{1}{2}$ miles along strike, the distance this unit has been outlined by geological mapping. Work on this project is being carried out under the Exploration Assistance Program — Ontario Department of Natural Resources.

PROJECT NO. 2 — HORNBY LAKE (Cochenour 45%, Coin 45%, Selco 10%)

The block of claims is being kept in good standing. No work was carried out during the year on this Uranium prospect.

PROJECT NO. 3 — RED LAKE (Cochenour 50%, Coin 50%)

This group is in good standing. No work done in 1971.

PROJECT NO. 4 — COIN LAKE (Cochenour 50%, Coin 50%)

A program of prospecting, soil sampling, ground geophysics and diamond drilling was completed on this property. Results have not been satisfactory and the work has terminated.

PROJECT NO. 5 — ST. PAUL BAY (Cochenour 75%, Coin 25%)

Twenty-nine claims were optioned to investigate a pyrrhotite showing bearing some copper/nickel mineralization. A grid was cut over part of the property and a geophysical survey completed. The anomalous zones were checked by diamond drilling with negative results.

TOUCHDOWN PROJECT

Results of a geophysical survey carried out on this optioned group of claims were negative and the option was not taken up.

COCHENOUR EXPLORATIONS LIMITED

During the year the only work done was centred on a group of claims in the Township of Ball where ground geophysics was followed up by diamond drilling. Nothing of economic interest was found. The area to the

COCHENOUR WILLANS GOLD MINES, LIMITED

southeast is favourable geologically for further investigation and a program of ground geophysics, prospecting and possible diamond drilling is planned for the 1972 season. This project will be carried out under the Exploration Assistance Program of the Ontario Department of Natural Resources.

In the McDonough Township a program of geophysics and diamond drilling is planned for the 1972 season and an application for assistance for this project has been made.

BAMAJI PROJECT (Selco 60%, Cochenour 32%, Coin 8%)

The exploration program of the Bamaji area will continue during 1972. There is a large area of this 450 claim group that warrants exploration, and diamond drilling will resume after the break-up. Part of the area was reflowed.

CONCLUSIONS:

Following closure of the mine it was decided to keep the milling plant intact as well as No. 1 shaft until 1972 when it may be possible to assess the trend of the free market price for Gold. Other equipment such as underground mining equipment and supplies have been listed for sale.

Respectfully submitted,

J. E. J. FAHLGREN,
General Manager.

May 5th, 1972,
COCHENOUR, ONTARIO.

Consolidated Marcus Gold Mines Limited

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

CURRENT ASSETS	1971	1970
Cash	\$ 871	\$ 1,273
MINING CLAIMS, acquired by the issue of 2,999,995 shares of the capital stock of the company, valued at	299,999	299,999
OTHER ASSETS		
Deferred expenditures	116,554	114,407
Incorporation and organization expenses	3,795	3,795
	<u>120,349</u>	<u>118,202</u>
	<u>\$ 421,219</u>	<u>\$ 419,474</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 303	\$ 200
Payable to Cochenour Willans Gold Mines, Limited, parent company, with respect to incorporation and organization of the company and transfer of the mining claims	4,539	4,539
	<u>4,842</u>	<u>4,739</u>
FUNDS ADVANCES OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED parent company, since the inception of the company for exploration, development and administrative expenses (note 1)	35,810	34,168

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)		
Authorized		
4,000,000 Shares of \$1 each		
Issued or to be issued		
3,094,272 Shares	3,094,272	3,094,272
Deduct discount thereon	<u>2,713,705</u>	<u>2,713,705</u>
	<u>380,567</u>	<u>380,567</u>
	<u>\$ 421,219</u>	<u>\$ 419,474</u>

Approved by the Board:

J. E. J. FAHLGREN, Director.

ROBERT M. SMITH, Director.

AUDITORS' REPORT

To the Shareholders of
Consolidated Marcus Gold Mines Limited

We have examined the balance sheet of Consolidated Marcus Gold Mines Limited as at December 31, 1971 and the statements of deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thunder Bay, Canada,
February 16, 1972.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Consolidated Marcus Gold Mines Limited

STATEMENT OF DEFERRED EXPENDITURES

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	\$ 114,407	\$ 112,320
ADMINISTRATIVE		
Acreage and municipal taxes	638	628
Annual report and stationery	804	770
Audit	200	235
Directors' fees	200	225
General expense	2	2
Legal fees	253	150
Taxes and government fees	50	60
Transfer agents' fees and expenses		562
	2,147	2,632
Proceeds from sale of surface rights		545
	2,147	2,087
BALANCE AT END OF YEAR	\$ 116,554	\$ 114,407

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971

(with comparative figures for 1970)

SOURCE OF FUNDS	1971	1970
Advances from Cochenour Willans Gold Mines, Limited	\$ 1,642	\$ 889
APPLICATION OF FUNDS		
Deferred expenditures, net	2,147	2,087
DECREASE IN WORKING CAPITAL POSITION	505	1,198
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	3,466	2,268
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 3,971	\$ 3,466

Consolidated Marcus Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1971

1. FUNDS ADVANCED OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED

Under the terms of the agreement whereby the company acquired its mining claims, as amended August 15, 1961, 1,999,995 escrowed shares of the capital stock of the company were issued to Cochenour Willans Gold Mines, Limited of which 1,750,000 shares have been released from escrow and the remaining 249,995 shares are to be released when Cochenour Willans Gold Mines, Limited has caused the company to bring the mining claims into production. The company also agreed to repay to Cochenour Willans Gold Mines, Limited, after the mining claims have been brought into production and before payment of any dividends certain monies expended by Cochenour Willans Gold Mines, Limited, and all monies advanced by it together with simple interest thereon at the rate of 4% per annum to date of payment. At December 31, 1971 such expenditures and advances amounted to \$74,836 of which \$41,799 has not been provided for in the accompanying balance sheet.

2. CAPITAL STOCK

Under the terms of an agreement dated January 17, 1966, Cochenour Willans Gold Mines, Limited was committed to expend \$25,020 on prospecting, exploration and development within approximately one year for which it was to receive 41,700 shares of the company valued at 60¢ per share. This agreement was subsequently extended until January 17, 1972. As at December 31, 1971, Cochenour Willans Gold Mines, Limited has expended \$20,563 and was entitled to receive 34,272 shares.

It is expected that this agreement will again be extended.

Cochenour Explorations Limited

(Incorporated as a private company under the laws of Ontario)

Balance Sheet – December 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

CURRENT ASSETS	1971	1970
Cash	\$ 1,098	\$ 950
FIXED ASSETS		
Equipment, at cost	4,755	4,755
MINING CLAIMS, acquired for 249,994 shares of capital stock valued at \$249,994 and \$1,000 cash	250,994	250,994
DEFERRED EXPLORATIONS EXPENDITURES	400,920	396,137
	<u>\$ 657,767</u>	<u>\$ 652,836</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities		
Cochenour Willans Gold Mines, Limited	\$ 15,483	\$ 10,350
Other	306	250
	<u>15,789</u>	<u>10,600</u>
ADVANCES FROM SHAREHOLDERS (see note)		
Cochenour Willans Gold Mines, Limited	84,150	84,150
Other	69,950	69,550
	<u>154,100</u>	<u>153,700</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized and issued		
500,000 shares, par value \$1 each	500,000	500,000
DEFICIT	12,122	11,464
	<u>487,878</u>	<u>488,536</u>
	<u>\$ 657,767</u>	<u>\$ 652,836</u>

Approved by the Board:

J. E. J. FAHLGREN, Director.

ROBERT M. SMITH, Director.

AUDITORS' REPORT

To the Shareholders of
Cochenour Explorations Limited

We have examined the balance sheet of Cochenour Explorations Limited as at December 31, 1971 and the statements of deferred exploration expenditures, administrative expenses, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thunder Bay, Canada,
February 18, 1972.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Cochenour Explorations Limited

Statement of Deferred Exploration Expenditures

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	\$ 396,137	\$ 358,579
Geophysical surveys	319	6,833
Acreage taxes	135	135
Diamond drilling	2,358	15,700
General explorations	1,971	14,890
	4,783	37,558
BALANCE AT END OF YEAR	\$ 400,920	\$ 396,137

Statement of Administrative Expenses

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Audit	\$ 350	\$ 300
Legal	106	340
Government fees and taxes	100	50
Sundry	2	3
Directors' fees	100	
ADMINISTRATIVE EXPENSES, TRANSFERRED TO DEFICIT	\$ 658	\$ 693

Statement of Deficit

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Balance at beginning of year	\$ 11,464	\$ 10,771
Administrative expenses	658	693
BALANCE AT END OF YEAR	\$ 12,122	\$ 11,464

Cochenour Explorations Limited

Statement of Source and Application of Funds

Year Ended December 31, 1971

(with comparative figures for 1970)

SOURCE OF FUNDS	1971	1970
Advances from shareholders, net	\$ 400	\$ 28,701
APPLICATION OF FUNDS		
Deferred exploration expenditures	4,783	37,558
Net administrative expenses	658	693
	5,441	38,251
DECREASE IN WORKING CAPITAL POSITION	5,041	9,551
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	9,650	99
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 14,691	\$ 9,650

Notes to Financial Statements

Year Ended December 31, 1971

ADVANCES FROM SHAREHOLDERS

Under the terms of an agreement dated January 21, 1966, the company may request advances from its shareholders to a maximum of \$250,000 in proportion to their shareholdings.

At December 31, 1971 the company has requested and received the following advances from its shareholders.

	Amount requested	Amount received
Cochenour Willans Gold Mines, Limited	\$ 84,150	\$ 84,150
Coin Lake Gold Mines Limited	29,700	29,700
Mentor Explorations Development Co. Ltd.	31,350	23,750
Selco Exploration Company Limited	16,500	16,500
S. J. Zacks (deceased)	3,300	
	\$ 165,000	\$ 154,100

Default on the above request could result in the forfeiture of all or a portion of the shareholders' shares in the company to the other shareholders.

Financial Statements

Statement of Financial Position

As at December 31, 2014

Assets		
Current assets		
Cash and cash equivalents	1,234,567	1,234,567
Accounts receivable	567,890	567,890
Inventory	345,678	345,678
Prepaid expenses	123,456	123,456
Other current assets	98,765	98,765
Non-current assets		
Property, plant and equipment	8,765,432	8,765,432
Intangible assets	2,345,678	2,345,678
Other non-current assets	1,234,567	1,234,567
Liabilities		
Current liabilities		
Accounts payable	456,789	456,789
Short-term debt	2,345,678	2,345,678
Other current liabilities	1,234,567	1,234,567
Non-current liabilities		
Long-term debt	5,678,901	5,678,901
Other non-current liabilities	1,234,567	1,234,567
Equity		
Share capital	10,000,000	10,000,000
Retained earnings	2,345,678	2,345,678
Other equity	1,234,567	1,234,567

Statement of Income

For the year ended December 31, 2014

Revenue		
Sales	10,000,000	10,000,000
Other revenue	500,000	500,000
Expenses		
Cost of sales	(6,000,000)	(6,000,000)
Selling expenses	(1,000,000)	(1,000,000)
Administrative expenses	(800,000)	(800,000)
Depreciation and amortization	(400,000)	(400,000)
Other expenses	(200,000)	(200,000)
Income before income taxes	2,100,000	2,100,000
Income tax expense	(420,000)	(420,000)
Net income	1,680,000	1,680,000

The accompanying notes are an integral part of these financial statements.